

HOUGHTON LAKE AMBULANCE AUTHORITY
HOUGHTON LAKE, MICHIGAN
AUDITED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

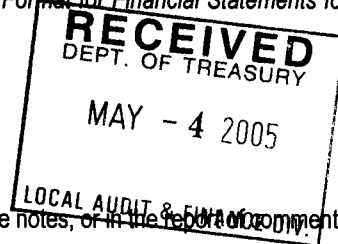
Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other	Local Government Name: Houghton Lake Ambulance	County Roscommon
Audit Date December 31, 2004	Opinion Date February 5, 2005	Date Accountant Report Submitted To State: April 29, 2005

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.



You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Keskin, Cook, Miller & Alexander LLP

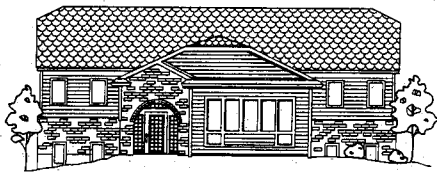
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
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Accountant Signature

Wade J. K.K.

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Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

February 5, 2005

Members of the Board
Houghton Lake Ambulance Authority
Houghton Lake, MI

We have audited the accompanying financial statements of the governmental activities and the major fund information of Houghton Lake Ambulance Authority, Roscommon County, Michigan as of and for the nine-month period ended December 31, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Houghton Lake Ambulance Authority, Roscommon County, Michigan as of December 31, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-5 and budgetary comparison information on page 20 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

W. J. Keskin, Jeffrey B. Cook, Richard W. Miller, Ronald D. Alexander
Keskin, Cook, Miller & Alexander, LLP
Certified Public Accountants

**HOUGHTON LAKE AMBULANCE AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

This section of Houghton Lake Ambulance Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the nine-month period ended December 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The Houghton Lake Ambulance Service re-organized as an Authority, effective April 1, 2004. The Authority is named Houghton Lake Ambulance Authority (d.b.a. Houghton Lake EMS). The Authority will have the power to levy its own taxes and will operate under its own board, consisting of five members. Roscommon and Lake Township will each appoint two board members. The finance offices of the Authority have been moved from the EMS Building to the Roscommon Township Hall.

The Authority has adopted a fiscal year of January 1 – December 31, which differs from the March 31st year-end of the Houghton Lake Ambulance Service. Accordingly, these financial statements include the activity of the nine-month period from April 1, 2004 – December 31, 2004.

Assets at December 31, 2004 totaled approximately \$535,000. Of this total, approximately \$346,000 represents capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$730,000, all classified as program revenues. Overall expenses for the Authority's governmental activities approximated \$410,000.

The Authority incurred no new debt during the year, and fully retired all outstanding debt.

Roscommon Township purchased an ambulance and deeded it over to the Houghton Lake Ambulance Authority in May 2004. The fair market value of the Ambulance on the date of donation was \$108,955. Lake Township donated the EMS building and land to Houghton Lake Ambulance Authority in April 2004 (previously, the Authority rented the EMS building from Lake Township). The building and land are recorded at estimated fair market value of \$101,425.

Long-term debt and capital asset activity are addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status.

The remaining statements are fund financial statements, which focus on the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities, both short-term and long-term in nature. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities. This is one method to measure financial health or position.

Over time, increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the Authority, you may also have to consider additional factors such as contribution levels, number of ambulance runs, and collectibility of receivables.

The Authority is involved in one activity only – ambulance services – which is primarily supported by contributions from the participating Townships and is therefore reported as a governmental activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's operating fund. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Authority has the following fund:

Ambulance Operating Fund – This fund records all of the financial activity of the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The following represents comparative information of the Authority for the year ended March 31, 2004 and the nine-month period ended December 31, 2004:

	<u>December 31, 2004</u>	<u>March 31, 2004</u>
Current Assets	\$ 188,267	\$ 85,200
Capital Assets, Net	<u>345,514</u>	<u>157,851</u>
Total Assets	<u>533,781</u>	<u>243,051</u>
Current Liabilities	536	13,154
Long-Term Debt	<u>-</u>	<u>14,332</u>
Total Liabilities	536	27,486
Net Assets	<u>533,245</u>	<u>215,565</u>
Total Liabilities and Net Assets	<u>\$ 533,781</u>	<u>\$ 243,051</u>

Assets: The Authority's assets increased due to the increase in cash and receivables (due to elevated Township contributions and outstanding patient billings) and capital assets (due to the donation of capital assets).

Liabilities: The Townships contributed extra monies to the Authority to fully retire its outstanding debt, resulting in a decrease in the Authority's liabilities.

Net Assets: Net assets increased approximately \$315,000 during the year to total \$533,245. The increase in net assets is due to an increase in the amount contributed to the Authority by Roscommon and Lake Townships.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

The only capital asset additions for the nine-month period were the donated ambulance and EMS building and land, as described in a previous section of this letter.

Long Term Debt:

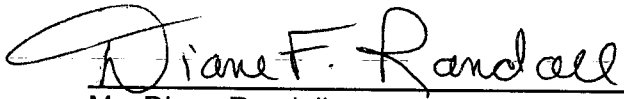
The Authority received contributions from each Township for the purpose of fully retiring outstanding debt in the amount of \$27,487. The Authority has no outstanding debt instruments at December 31, 2004.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The citizens of Roscommon and Lake Townships voted to increase the property tax millage rate to 1.69, which will result in an increase in property tax contributions received by the Authority.

CONTACTING MANAGEMENT

This financial report is designed to provide taxpayers, creditors, investors, and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact Ms. Diane Randall, Roscommon Township Supervisor at 8555 Knapp Road, P.O. Box 610 Houghton Lake, MI 48629, or by calling (989)422-4093 during the hours of 8:30 AM to 4:00 PM.

A handwritten signature in black ink that reads "Diane F. Randall". The signature is written in a cursive style with a large, looping initial "D".

Ms. Diane Randall
Houghton Lake Ambulance Service

**HOUGHTON LAKE AMBULANCE AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

ASSETS

Current Assets:

Cash	\$ 86,064
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$93,629)	94,000
Prepaid Expenses	2,453
Due from Employees	3,250
Inventories	2,500

Total Current Assets	<u>188,267</u>
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Non-Current Assets:

Capital Assets	410,421
Accumulated Depreciation	(64,907)

Total Non-Current Assets	<u>345,514</u>
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Total Assets	<u>533,781</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	<u>536</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	345,514
Unrestricted Net Assets	187,731

Total Net Assets	<u>\$ 533,245</u>
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See Accompanying Notes to Financial Statements

HOUGHTON LAKE AMBULANCE AUTHORITY
STATEMENT OF ACTIVITIES
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004

GOVERNMENTAL ACTIVITIES		EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	TOTAL
Ambulance Service		\$ (412,324)	\$ 234,180	\$ 257,958	\$ 237,866	\$ 317,680
Change in Net Assets						317,680
Net Assets - April 1						215,565
Net Assets - December 31					\$	\$ 533,245

See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2004**

ASSETS

Cash	\$ 86,064
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$93,629)	94,000
Prepaid Expenses	2,453
Due from Employees	3,250
Inventories	2,500
	<hr/>
Total Assets	188,267
	<hr/> <hr/>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts Payable	536
	<hr/>

Fund Equity:

Fund Balance, Undesignated, Unreserved	182,778
Reserved	4,953
	<hr/>

Total Fund Balance	187,731
	<hr/>

Total Liabilities and Fund Equity	\$ 188,267
	<hr/> <hr/>

See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)	\$ 187,731
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Amounts reported for governmental activities in the Statement of
Net Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	<u>345,514</u>
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF ACTIVITIES - PAGE 6)	\$ <u>533,245</u>
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See Accompanying Notes to Financial Statements

HOUGHTON LAKE AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004

REVENUES

Contributions from Roscommon Twp	\$ 166,733
Contributions from Lake Twp	91,122
Service Collections	234,180
Donations	100
Interest Earnings	6
	<hr/>
Total Revenues	492,141
	<hr/>

EXPENDITURES

Ambulance Wages	256,808
Administration Fee	5,000
Fringe Benefits	81,428
Office Supplies	876
Custodial Supplies	1,599
Clothing	1,957
Operating Supplies	5,151
Snowplowing and Lawn Care	300
Repairs and Maintenance	10,455
Audit/Legal	3,010
Telephone	1,989
Education and Training	2,395
Travel	154
Postage	384
Utilities	10,510
Insurance	7,359
Reimbursements	235
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Total Expenditures	389,610
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Excess (Deficiency) of Revenues over Expenditures	102,531
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Fund Balance - April 1	85,200
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Fund Balance - December 31	\$ 187,731
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See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

**CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
(PAGE 10)**

\$ 102,531

Amounts reported for governmental activities in the Statement of Activities (page 7) are different because:

Governmental funds do not report capital assets and donations of such assets. However, in the statement of activities, capital assets are recorded and depreciated over their estimated useful lives. This represents the value of donated assets during the year, recorded as capital contributions

210,379

Governmental funds do not record long-term debt. However, in the government-wide statements, long-term debt is recorded and debt service payments are applied against the outstanding balances. This represents amounts donated from the Townships to retire the outstanding long-term debt, recorded as a capital contribution in the statement of activities

27,487

Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements

(22,717)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES -
PER STATEMENT OF ACTIVITIES (PAGE 7)**

\$ 317,680

See Accompanying Notes to Financial Statements

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE A: ENTITY

In September, 1989, the Townships of Lake and Roscommon, Roscommon County, created the Houghton Lake Ambulance Service as a joint venture for the purpose of operating, maintaining, administering and managing an ambulance service.

The Service was created to benefit the named townships and any other township or municipality which hereafter joins in and becomes a part of such service and the related agreement, all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

Effective April 1, 2004, the Service incorporated as an Authority and is now called the Houghton Lake Ambulance Authority (d.b.a. Houghton Lake EMS). The Authority will have the power to levy its own taxes within Lake and Roscommon Townships and will have its own five-member board.

The Houghton Lake Ambulance Authority adopted a fiscal year end of December 31. These financial statements reflect the Authority's activity for the nine-month period from April 1, 2004 through December 31, 2004.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures of the Authority's financial activities.

The accounting policies of the Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Authority's financial statements has shifted from a fund focus to a government-wide focus.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT
PRESENTATION**

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Authority has one fund and one functional activity – ambulance services. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's activities; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not classified as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPE AND MAJOR FUND

Governmental Fund

The Authority reports the following major governmental fund:

Ambulance Operating Fund - This fund is used to account for all financial transactions of the Authority. The primary source of revenue is from Township contributions and ambulance patient collections.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt service principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: Township contributions and ambulance patient collections. In general, other revenues are recognized when cash is received.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

An operating budget is prepared by the Authority annually and presented to the member townships for adoption. The budget is adopted prior to January 1, on the modified accrual basis and is amended at regular intervals throughout the year. The budget has been presented in the financial statements at its amended totals. The budget was adopted on a fund total basis.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. No over-expenditures were noted for the nine-month period ended December 31, 2004.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

CAPITAL ASSETS AND DEPRECIATION

The Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur, if:

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

4. significantly changes the character of the asset, or
5. otherwise, the cost should be expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	25 – 40
Land Improvements	10 – 20
Furniture, machinery, and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE C: CASH

All cash is maintained in a financial institution in the Houghton Lake, Michigan area. All cash deposits are maintained in accounts approved by state statutes. Deposits are insured up to \$100,000 under FDIC. Cash deposits at December 31, 2004 are fully insured by the FDIC and are not collateralized.

NOTE D: ACCOUNTS RECEIVABLE

Accounts receivable from patients at December 31, 2004 is as follows:

Accounts Receivable	\$187,629
Allowance for Doubtful Accounts	(93,629)
Net Accounts Receivable	<u>\$ 94,000</u>

Management has calculated the estimated the collectibility of accounts receivable to be at 50% of total receivables, based on historical collection averages.

NOTE E: CAPITAL ASSETS

The Authority's capital assets are categorized as follows:

	<u>Land (Not Depreciated)</u>	<u>Building</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Data Handling Equip</u>	<u>Totals</u>
<i>Governmental Activities</i>						
Balance, April 1, 2004	\$ -	\$ -	\$ 151,751	\$ 36,174	\$ 12,116	\$ 200,041
Increases	45,000	56,425	108,955	-	-	210,380
Decreases	-	-	-	-	-	-
Balance, December 31, 2004	<u>45,000</u>	<u>56,425</u>	<u>260,706</u>	<u>36,174</u>	<u>12,116</u>	<u>410,421</u>
<i>Accumulated Depreciation</i>						
Balance, April 1, 2004	-	-	26,619	12,688	2,883	42,190
Increases	-	1,411	15,565	3,547	2,194	22,717
Decreases	-	-	-	-	-	-
Balance, December 31, 2004	<u>-</u>	<u>1,411</u>	<u>42,184</u>	<u>16,235</u>	<u>5,077</u>	<u>64,907</u>
<i>Governmental Activities</i>						
Capital Assets, Net	<u>\$ 45,000</u>	<u>\$ 55,014</u>	<u>\$ 218,522</u>	<u>\$ 19,939</u>	<u>\$ 7,039</u>	<u>\$ 345,514</u>

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE F: LONG-TERM DEBT

The Authority's long term notes payable are recorded in the government-wide financial statements. At December 31, 2004, the Authority is indebted as follows:

The Houghton Lake Ambulance Authority purchased an ambulance and refinanced a prior note with Bank One on October 26, 1999. The original principal of the note is \$72,000 and bears an interest rate of 5.08%. Monthly installments of \$1,183 began in April 1, 2000. In April 2004, Roscommon and Lake Townships donated \$13,295 and \$13,317, respectively, to fully retire the note payable. Refer also to Note G.

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/04</u>
Bank One Note Payable	\$ 27,487	\$ -	\$ 27,487	\$ -

NOTE G: CONTRIBUTIONS FROM TOWNSHIPS

Roscommon and Lake Townships contribute monies to support the Authority's operations. Each year, the Townships remit 100% of their property taxes levied for ambulance operations. The Townships have also contributed additional dollars, detailed as follows:

	<u>Roscommon</u>	<u>Lake</u>
Property Tax Collections (2003 tax year)	\$ 166,733	\$ 91,122
Contribution to pay off Note Payable	13,295	13,317
Contribution of capital assets	108,955	101,425
Total	<u>\$ 288,983</u>	<u>\$ 205,864</u>

**HOUGHTON LAKE AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004**

NOTE H: RESERVED FUND BALANCE

The Authority records a reserved fund balance equal to the sum of its inventory, \$2,500 and prepaid insurance, \$2,453, totaling \$4,953.

NOTE I: PENSION PLAN

The Ambulance Authority participates in a defined contribution pension plan through the Manufacturers Life Insurance Company. Eligible plan participants include all full time employees. Participants are required to contribute 10% of eligible compensation to the plan. The Ambulance Authority contributes 10% of the participants' eligible compensation to the plan. In addition to the required contributions, participants may make voluntary after tax contributions up to 10% of eligible compensation. The Ambulance Authority made contributions of \$7,278 to the plan in the fiscal year ending December 31, 2004.

NOTE J: INSURANCE

Houghton Lake Ambulance Authority is insured against potential losses generally as follows: Insurer - Michigan Township Participating Plan

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property	50,000	\$100
Liability	4,000,000	-
Wrongful Acts	3,000,000	-
Automobile	2,000,000	\$100
Crime	10,000	-
Inland Marine	23,000	\$100

HOUGHTON LAKE AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND
NINE-MONTH PERIOD ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Revenues				
Contributions - Roscommon Twp	\$ 166,729	\$ 166,729	\$ 166,733	\$ 4
Contributions - Lake Twp	82,666	82,666	91,122	8,456
Service Collections	218,000	218,000	234,180	16,180
Donations	-	-	100	100
Interest Earnings	-	-	6	6
Total Revenues	467,395	467,395	492,141	24,746
Expenditures				
Ambulance Wages	270,295	270,295	256,808	13,487
Administration Fee	5,000	5,000	5,000	-
Fringe Benefits	75,601	75,601	81,428	(5,827)
Office Supplies	900	900	876	24
Custodial Supplies	750	750	1,599	(849)
Clothing	1,875	1,875	1,957	(82)
Operating Supplies	4,875	4,875	5,151	(276)
Snowplowing and Lawn Care	375	375	300	75
Repairs and Maintenance	6,500	6,500	10,455	(3,955)
Audit/Legal	2,900	2,900	3,010	(110)
Telephone	2,250	2,250	1,989	261
Education and Training	2,250	2,250	2,395	(145)
Travel	375	375	154	221
Postage	375	375	384	(9)
Utilities	9,503	9,503	10,510	(1,007)
Insurance	9,526	9,526	7,359	2,167
Refunds and reimbursements	-	-	235	(235)
Total Expenditures	393,350	393,350	389,610	3,740
Excess (Deficiency) of Revenues over Expenditures	74,045	74,045	102,531	28,486
Fund Balance - April 1	85,200	85,200	85,200	-
Fund Balance - December 31	\$ 159,245	\$ 159,245	\$ 187,731	\$ 28,486